

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

THE REPORTING ENTITY

The Town of Harpswell, incorporated on January 25, 1758, currently operates under a Town Meeting-Selectmen form of government with an administrative assistant as the chief administrator of the Town. The Board consists of three members elected by the registered voters for three year terms.

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with GASBS No. 14, as amended by GASBS No. 39, the Town (the primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The government has elected not to follow subsequent private-sector guidance. The more significant accounting policies established in GAAP and used by the Town are discussed below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds (if any) are reported as separate columns in the fund financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental fund:

The general fund is the Town's primary operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Town reports several nonmajor funds in the following fund categories:

Special revenue funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

C. Budgetary Accounting

Each year a budget is adopted for the General Fund only, and is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be designated for future periods by the Selectmen. A comparison of budget to actual is presented in the financial statements on Statement 6. The difference between original budget and final budget amounts represent approved carryovers from prior years.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Excess of Expenditures Over Appropriations

For the year ended December 31, 2005, expenditures exceeded appropriations by warrant article in the following departments:

Legal services	\$ (16,108)
Membership	(13)
Operations and maintenance	(4,485)
Old town office improvements	(3,293)
Health and welfare	(2,223)
Debt service	(1,617)
Total	\$ (27,739)

The Selectmen approved these amounts to be funded by contingency.

E. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

F. Inventories of Supplies

Inventories of supplies are considered to be expenditures at the time of purchase rather than when consumed, and are not included in the general fund balance sheet.

G. Short-term Interfund Receivables/Payables

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions, if any, are reported as operating transfers.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. If material, interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

Straight-line depreciation is used based on the following estimated useful lives:

Buildings and building improvements – 25 and 50 years
Equipment, vehicles and furniture – 5 to 30 years

The Town was not required to retroactively report infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Neither their historical cost nor the related depreciation has historically been reported in the financial statements. The Town began reporting newly acquired infrastructure assets upon implementation of GASBS No. 34, as of and for the year ended December 31, 2004.

I. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Comparative Data

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

L. Compensated Absences

Under terms of personnel policies of the Town, vacation leave is granted in varying amounts according to length of service. No sick leave is granted at the time of employee termination. Unused vacation leave is reported in the government-wide financial statements. No expenditure is reported for this amount on the fund financial statements unless due and payable.

M. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2005, the Town reported deposits of \$3,192,416 with a bank balance of \$3,340,296. Of the Town's bank balances of \$3,340,296, \$3,240,296 was exposed to custodial credit risk and collateralized by the depository institution in the Town's name. The remaining balance of \$100,000 was covered by the F.D.I.C.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CASH AND CASH EQUIVALENTS, CONTINUED

Deposits have been reported as follows:

<u>Reported in governmental funds</u>	<u>\$ 3,192,416</u>
<u>Total deposits</u>	<u>\$ 3,192,416</u>

PROPERTY TAX

The Town' s property taxes for the current year were committed on September 14, 2005, on the assessed value listed as of April 1 for all real and personal property located in the Town. Taxes were due on October 15, 2005 and December 15, 2005; interest was charged at 6.50% on all unpaid taxes after that date. Assessed values are periodically established by the Assessor at 100% of assumed market value. As a result of the 2005 Town-wide revaluation, the Town has a certified ratio of 100%.

The following summarizes the 2005 levy:

	<u>2005</u>
Assessed value:	
Real property	\$ 1,641,891,101
<u>Personal property</u>	<u>3,567,935</u>
Total valuation	1,645,459,036
<u>Tax rate (per \$1,000)</u>	<u>5.75</u>
Tax Commitment	9,461,402
<u>Less: Collections and abatements</u>	<u>(9,001,010)</u>
 <u>Taxes receivable at December 31</u>	 <u>\$ 460,392</u>

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$225,413 for the year ended December 31, 2005. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as deferred revenues. The difference between actual property tax revenues and budgeted property tax revenues of \$98,371, (Exhibit A-2) represents supplemental taxes for all years.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property acquired by foreclosure for nonpayment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same period are not included as part of the tax acquired property account until expiration of statutory time limits.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances at December 31, 2005, were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	59,747
Special Revenue Funds:		
Restricted projects	22,291	-
Recreation	32,980	-
Capital Projects Funds:		
Road projects	4,476	-
Totals	\$ 59,747	59,747

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance December 31, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,893,054	87,407	-	1,980,461
Construction in progress	-	560,658	-	560,658
Total capital assets not being depreciated	1,893,054	648,065	-	2,541,119
Capital assets, being depreciated:				
Buildings and improvements	3,652,533	371,099	-	4,023,632
Equipment and furniture	576,872	103,378	62,000	618,249
Total capital assets being depreciated	4,229,405	474,477	62,000	4,641,881
Less accumulated depreciation for:				
Buildings and improvements	862,786	130,391	-	993,176
Equipment and furniture	306,476	44,286	45,300	305,462
Total accumulated depreciation	1,169,262	174,677	45,300	1,298,638
Total capital assets being depreciated, net	3,060,143	299,800	16,700	3,343,243
Governmental activities capital assets, net	\$ 4,953,197	974,865	16,700	5,884,362

During the fiscal year ended December 31, 2005, the Town received certain land and buildings as gifts. The amounts capitalized reflect the estimated value at the date of transfer.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 86,451
Public works	71,188
Protection and safety	4,106
Cultural and recreation	12,932
Total depreciation expense – governmental activities	\$ 174,677

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SHORT-TERM DEBT

Tax Anticipation Note

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at the April 14, 2005 meeting to authorize the Treasurer to borrow up to \$3,750,000 on an "as needed basis" to be due on or before December 31, 2005. A total of \$2,600,000 was drawn and the outstanding principal and interest was paid on November 2, 2005. The total interest paid on this note was \$19,958. Since there is no beginning or ending balance at December 31, 2004 and 2005, respectively, it has not been included on the debt note below.

LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 2,742,500	-	415,833	2,326,667	365,833
Compensated absences payable	-	14,724	-	14,724	-
Governmental activity					
<u>long-term liabilities</u>	<u>\$ 2,742,500</u>	<u>14,724</u>	<u>415,833</u>	<u>2,341,391</u>	<u>365,833</u>

Bonds Payable

Bonds payable at December 31, 2005 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Average rate</u>	<u>Balance December 31, 2005</u>
Governmental activities:					
1994 Capital improvement bond	05/27/93	11/01/08	600,000	5.48%	\$ 120,000
1997 Revaluation bond	05/29/97	11/01/17	175,000	5.17%	35,000
2000 General obligation bond	05/25/00	11/01/10	1,209,800	5.32%	650,000
2003 General obligation bond	05/22/03	11/01/10	840,000	2.78%	640,000
2004 General obligation bond	10/28/04	11/01/16	700,000	4.32%	641,667
2004 General obligation bond	11/22/04	11/29/09	300,000	5.70%	240,000
<u>Total bonds payable</u>					<u>\$ 2,326,667</u>

The annual requirements to amortize all debt outstanding as of December 31, 2005 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 365,833	99,498	465,331
2007	420,833	83,235	504,068
2008	413,334	65,415	478,749
2009	418,333	47,365	465,698
2010	358,333	29,504	387,837
2011-2015	291,667	53,056	344,723
2016-2020	58,334	583	58,917
<u>Total</u>	<u>\$ 2,326,667</u>	<u>378,656</u>	<u>2,705,323</u>

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

Debt authorized but unissued – At the 2004 Town meeting, \$50,000 was authorized to be borrowed for failed septic system remediation.

Leases

The Town maintains a lease agreement as lessee for financing a copier. The present value of future minimum lease payments is \$1,337 and the lease expires in fiscal 2006.

OVERLAPPING DEBT

The Town' s proportionate share of debt of all local government units which provide services within the Town' s boundaries, and which must be borne by properties in the Town is summarized as follows:

<u>Units</u>	<u>Net debt outstanding at December 31, 2005</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 12,260,179	3.91 %	479,373
MSAD 75	26,655,557	17.90% / 37.10%	9,888,145

A portion of MSAD 75 debt, which is supported by the State of Maine, is only 17.9% applicable to the Town of Harpswell; the Town share of all other debt of the district is 37.10%. The Town' s proportionate share of the County and District debt is paid through annual assessments.

STATUTORY DEBT LIMIT

The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2005, the Town was in compliance with these restrictions.

RESTRICTED GRANTS

The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2005 fund balance restricted grants consisted of the following awards, at December 31, 2005:

	<u>Balance beginning of year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance end of year</u>
<u>Grant Award</u>				
Small community block grant	\$ 463	-	-	463
Oil tank replacement	4,907	9,784	7,260	7,431
Overboard discharge	23,954	54,723	67,030	11,647
Planning brochures	-	2,750	-	2,750
Comprehensive plan	2,369	-	2,369	-
Homeland security	-	4,425	4,425	-
Dry hydrants	-	9,800	9,800	-
<u>Total restricted grants</u>	<u>\$ 31,693</u>	<u>81,482</u>	<u>90,884</u>	<u>22,291</u>

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

UNRESERVED FUND BALANCE – DESIGNATED FOR SUBSEQUENT YEARS

At December 31, 2005, portions of the general fund balance were designated for future periods and are reported as a component of unreserved fund balance. They consist of the following:

<u>Fund</u>	<u>Designated balance</u>
Town office project	\$ 343
Planning office projects	877
Cemetery restoration	950
Software upgrade	1,024
Land acquisition	1,279
Advanced life support	1,571
Forest fire services	2,000
Boundary survey	2,662
Geographic information systems	2,976
Voting machines	3,300
Fire police	3,710
Assessing software and related costs	4,621
Dry hydrants	5,005
Repeater	5,100
Risk management	5,971*
Boat and motor replacement	7,000
Mitchell field annual maintenance reserve	8,236
HCBC digital conversion	10,000
Town landing signs	13,358
Failed septic system	14,956
Road maintenance	16,828
Mitchell field	16,924
Vehicle replacement	17,500
Marine hazards	18,522
Orr's Island/Bailey's Island fire capital	18,975
Cundy's Harbor fire capital	19,523
Revaluation	20,235*
A. Dennis Moore recycling center/transfer station	63,007
Capital reserve – roads	200,000
	486,453
Plus contingency	52,261
Total designated fund balance – General Fund	\$ 538,714

* Subject to ratification at the annual Town meeting.

BUDGETED USE OF SURPLUS

During the year ended December 31, 2005, the Town budgeted to utilize prior year undesignated fund balance as a budgeted use of surplus. The amount consists of the following:

2004 Carry forward balance	\$ 503,292
Current year	217,600
Total	\$ 720,892

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CONTINGENT LIABILITIES

Litigation - The Town is subject to certain legal proceedings which arise in the normal course of business. In the opinion of management, the Town has defensible positions in any/all pending cases. Further, any future liabilities are covered by insurance or will not materially affect the financial position of the Town.

State and Federal Grants – The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required. There are no material contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

RISK MANAGEMENT

The Town is exposed to various risks of loss torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2005.

MAINE STATE RETIREMENT SYSTEM (MSRS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The Town contributes to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of Harpswell are established and may be amended by the Maine State Retirement Board of Trustees. The Town's contributions to the Maine State System Consolidated Plan for the year ended December 31, 2005 and 2004 were \$3,942 and \$3,924, respectively equal to the required contributions.

Effective March 14, 1998, this benefit is no longer available to new Town employees. Those employees already in the plan may continue under the same terms or may terminate and join the deferred compensation plan.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the year ended December 31, 2005 was approximately \$10,230. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES

The Town offers its recycling center employees a pension plan through the I.A.M. National Pension Fund.

The Town contributes on behalf of eligible employees of the recycling center who have worked during the plan year. There are no voluntary contributions by the employees allowed in this plan. The Town's contribution to the plan for the year ended December 31, 2005 was \$13,432. This represented \$7,974 in regular contributions, \$2,472 for the retroactive adjustment relating to the November 17, 2005 collective bargaining agreement, and \$2,986 from a retroactive adjustment for underpayments in 1999-2003.

The funds contributed by the Town to the plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.